



Michigan Association of Health Plans

House Health Policy Committee

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Testimony supporting SB 88 (S-2)

By Jeanne Dunk

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Good Morning Mr. Chairman and members of the Committee. My name is Jeanne Dunk and I am the General Counsel for Care Choices HMO in Farmington Hills, MI. I am here today on behalf of Care Choices and the Michigan Association of Health Plans to **support passage of SB 88 (S-2)**. I am familiar with the operations of Health Maintenance Organizations and the current market conditions that have led to the development of SB 88.

Context for Change

Health care costs are rising at a record pace. Michigan's employers are facing very difficult decisions regarding health care benefits. Many employers are, in response to rising costs, choosing to dramatically decrease employee coverage or eliminating it entirely. Eliminating coverage is a major step backward for the citizens of Michigan and it is something we should avoid whenever possible.

SB 88 will assist employers who are demanding lower premiums for health care coverage. There are two fundamental ways to cut health care premiums. First, one can decrease coverages or services. **SB 88 does not affect employee coverages.** Second, one can spread more of the cost to enrollees (employees) through cost sharing of copayments and coinsurances. SB 88 affects the cost-sharing flexibility needed by Michigan's employers.

The Michigan Surgeon General and the administration also see an urgent need to emphasize healthy lifestyles. SB 88 provides an opportunity for health plans to provide incentives and encourage healthy lifestyle choices.

Rationale to support SB 88 (S-2)

1. Pricing Flexibility

Senate Bill 88 is quality legislation because it is **permissive**. It allows employers (purchasers of HMO coverage) pricing flexibility they currently do not have. Under current statute (MCL 500.3501 *et seq.*) copayments (fixed

dollar amounts) and coinsurance (percentage of the cost of the service) must be “nominal.” The employer cannot lower the premium by spreading any more than “nominal” copayments and coinsurance. As a result, an HMO cannot, by statute, give employers any meaningful decrease in premiums. This type of pricing constraint is not found in the property & casualty market, where consumers can choose to decrease premium by selecting higher cost-sharing for property, automobile and homeowners insurance.

SB 88 **permits** HMOs to offer employers an array of copayment and coinsurance options that could fit their individual needs. **HMOs would continue to offer low or no copayment and coinsurance plans to those businesses that can still afford to provide “benefit rich” HMO services at low copayment levels.**

SB 88 also provides pricing flexibility for multi-state employers. Many such multi-state employers demand a standardized set of copayment and coinsurance levels among many employees located in various states. SB 88 would allow Michigan to be more competitive by allowing multi-state employers the ability to select the same copayment and coinsurance levels for all employees.

2. Healthy Lifestyle Programs

HMOs are uniquely adept at health management. NCQA cited Care Choices HMO for excellence in managing the health of its enrollees. However, current state law restricts the ability of HMOs to offer incentives that encourage enrollees to choose healthy lifestyles. SB 88 (S-2) allows HMOs to develop Healthy Lifestyles Programs that enhance the health of enrollees by reducing disease and promoting nutrition, exercise and compliance with disease management programs through evidence-based medical practice. Healthy Lifestyles Programs are good public policy.

Healthy Lifestyles Programs can take many forms, including offering goods, vouchers, coupons, or equipment as incentives to adopt healthy behaviors. To accomplish these incentives, they need to be free from the constraints of the anti-rebating section of the HMO Act (MCL 500.3517[1]); free from statistical constraints of MCL 500.3519; and free from the “guaranteed renewal” provision of MCL 500.3539.

Healthy Lifestyle Programs, as treated in the current S-2 version of SB 88, are well suited for HMO health management and they will help many people achieve their health goals. SB 88 and its promotion of Healthy Lifestyles is a significant advancement in the insurance code.

Current law would prohibit providing free child safety seats to prospective parents, gift certificates exceeding \$5.00 to parents to encourage reporting completion of childhood shots and vaccinations, or rewards to members who achieve weight loss goals or continue participation in stop smoking programs.

3. Clarifying Required Coverage Under State or Federal Health Programs

SB 88's (S-2) revision to Section 3571 is intended to clarify and codify the principle that HMOs participating in state or federal health programs need to offer only those services required under the contract of the particular program. Within the context of this flexibility, the revision also clarifies that health plans must continue to meet all the financial and solvency requirements of the insurance code. This is viewed as more of a "house keeping" measure rather than affecting any substantive area of HMO services.

Closing Remarks

Michigan's health plans have demonstrated a record of high performance that was noted in the most recent rankings published in *US News and World Report* and *NCQA*. In fact, Care Choices placed 7th in the nation and 1st in Michigan in the *NCQA* and *US News and World Report* publication. Overall, Michigan health plans placed 6 in the top 50 for commercial plans, 12 in the top 50 for Medicaid plans, and 2 in the top 50 for Medicare plans. These rankings prove that Michigan health plans are among the best in the nation.

Care Choices HMO and the Michigan Association of Health Plans appreciate this opportunity to testify before this committee. SB 88 (S-2) is solid legislation needed to address a volatile issue of rising health care premium costs faced by employers in this state. We therefore urge your passage of SB 88 (S-2).